

BULLETIN

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French Ratification of the Fiscal Compact: A Barometer of Further EU Differentiation

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The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (fiscal compact) adds little to the EU's crisis-management repertoire compared to the EU law framework. Its intergovernmental character, separate from EU law, has thus been the subject of more attention than its instruments to enforce budgetary discipline. The debate around the ratification of the fiscal compact by a new French Parliament provides a useful bellwether for Poland and other pre-ins (Member States committed to join the eurozone) as to whether the new Socialist government will pursue exclusive forms of cooperation as its predecessor did.

The fiscal compact (FC) was adopted in March 2012 by 25 of 27 EU members. Six months on, it has been ratified by nine out of the 12 eurozone member states needed for its entry into force. The ratification processes in Germany and France have attracted much attention, although for different reasons. While the judgment by the German Federal Constitutional Court of 12 September, ahead of FC ratification was a test of German Chancellor Angela Merkel's well-known policy to fight the crisis, the French ratification debate gives clues about the country's emerging vision of European integration under its new government.

Lessons from the Fiscal Compact. A comparison of the instruments enshrined in the FC with EU secondary law confirms that most of the measures enforcing budgetary discipline are actually already at the EU's disposal, not least the so called six-pack legislation that will be additionally enhanced by a "two-pack" now under negotiation. The compact's measures also were not necessarily more intrusive than might have been achieved under EU law. The scope and function of the balanced budget rule as an instrument to be enshrined in the signatories' constitutional law—the core idea promoted by Germany—was diluted during the treaty's negotiation. All of this raises the question of why states should choose this platform for cooperation.

One clue is found in the formulation of the FC's balanced budget rule. It replicates the concerns of those members that contribute the most to rescue mechanisms, requiring long-term commitments from beneficiaries designed to increase the credibility and reduce the risk of moral hazard. The compact also formalises the Euro Summits, reaffirming divisions between eurozone and non-eurozone members in terms of decision-making on economic and monetary issues. Moreover, the FC reflects the limited scope of parliamentary oversight typical of such processes of differentiated integration. Since the FC establishes stricter national budgetary coordination, carried out at the EU level, this could be painful for national parliaments that control domestic budgetary policy.

Of course, some of the FC's provisions do bridge differences within the EU. There is an undertaking to ensure Euro Summits may not precede European Council meetings (in the preamble of FC) and a guarantee of participation for non-eurozone members in Euro Summits devoted to competitiveness, the architecture of the euro area and the implementation of the fiscal compact (in Art. 12.3 FC). Furthermore, Article 13 provides for a cooperation platform between MPs and MEPs, constituting a starting point for the further democratisation of decisions. Nevertheless, the concessions given to non-eurozone states only slightly limit the perspective of euro-area dominance in EU decision-making, and Article 13 could also lead to competition between these two layers of democratically elected institutions.

Lessons from the French Ratification Debate. On 9 and 11 October, the French National Assembly and Senate, respectively, ratified the FC. Reflecting the importance of growth issues in the pre-election discourse, the Socialists had questioned the austerity-leaning compact's suitability as a tool to exit the crisis. That put the ruling party on the spot. To maintain the party's credibility, its governing elites tried to win over MPs by questioning the FC's real significance and thus presenting it as just one of many EMU-related measures. The compact has been presented as a necessary compromise in exchange for more solidarity in the eurozone and thus as an element of a broader package of EU measures leading to the reorientation of the European project.

The ratification debate also gave the Socialists an opportunity to stress that further integration should be carried out within the framework of the existing treaties. Thus, it seems that France—at least on a declaratory level—does not perceive the legal character of the FC or its separation from the EU order as a particularly attractive form of cooperation to follow. All the same, no particular shift with regards to the French attachment to decision-taking at the level of the 17 heads of state or government is to be observed. Rather, on 27 August, during the annual Ambassadors' Conference, the French president voiced support for the growth in the significance and frequency of gatherings at the level of the eurozone-17 leaders. This has been reaffirmed by the supportive French reception of the recent proposals to establish a separate budget for the eurozone. In the French vision, such an instrument would aim not only to eliminate social discrepancies but also would provide momentum to develop a Eurozone Economic Government, an idea which France seems never to have completely abandoned.

The democratic legitimisation of decisions within the Economic and Monetary Union occupies a significant place in the French discourse. The French government seems determined to implement quickly the FC's provisions regarding the establishment of an inter-parliamentary conference of representatives from the committees of the European Parliament and national parliaments that are coping with budgetary policies. The French idea to synchronise those meetings with the European Semester aims to strengthen national deputies' influence in economic-policy coordination. A certain degree of institutionalisation within the conference framework, as proposed lately by the French Parliament, is restricted however to eurozone parliamentarians suggesting that the traditional French approach to legitimising eurozone cooperation has not changed much in fact.

Completing EMU. Parliamentary ratification has provided the setting for the long-awaited contribution by France's governing elites to the discussion on the EU's future. Taking a pragmatic rather than an explicitly long-term approach, they seem to focus on undertaking the necessary reforms within the EU's existing treaties, and thus do not foresee the treaties' revision. Whilst reiterating their attachment to the integrity of the EU treaty framework, they also state that cooperation below the level of the 27 is inevitable. This position is a continuation of Hollande's pre-election discourse focusing on the idea of a "federalism of projects" where the European *avant garde* gathered around certain policy fields stimulate deeper integration. Keeping in mind the discrepancies occurring in the French discourse, even if for the time being French politicians express themselves as keen on the differentiated forms available under EU law, it should not be excluded that to further develop the French understanding of "Eurozone Government" the intergovernmental path will be considered.

Even if the significance of the fiscal compact is currently questioned, it is possible that the alternative setup created by the FC treaty will provide a platform for further developing EMU-related institutional architecture. Poland should therefore press ahead with quick ratification of the compact. Within the observed tendency to develop European integration at different speeds, Poland as a future eurozone member, should also keep expressing its openness towards such initiatives in exchange for having adequate influence in the decision-making process. While establishing the conditions for inclusion of the pre-ins, Poland should safeguard their integrity with the EU order and insist on a high level of transparency.

Poland, which recently issued a nonpaper on strengthening parliamentary legitimacy in the context of the European Semester procedure, should also monitor both the implementation of the provisions on inter-parliamentary cooperation and any developments in the French parliament's more exclusive concept. Any attempts to increase democratic legitimacy through structures undermining the EP's integrity or excluding non-eurozone national deputies should be questioned. The involvement of European institutions, particularly the EP, and the establishment of certain channels for information-sharing with non-eurozone members should constitute an inevitable part of any discussion on differentiated cooperation in the EU.